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Implement & Tractor

The business magazine of the farm and industrial equipment industry August 1987

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LAWN-GARDEN EQUIPMENT MARKET

DRAWING CITY BUYERS TO SMALL TOWN page 11

Fall Tillage: In Or Out? PAGE 23

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The business magazine of the farm and industrial equipment industry.

August 1987 • Vol. 102 • No. 9

Our Cover Story

At their small-town dealership, Roy Schweissguth and his sons Dave, Burt, Mike and Bob have built a strong following among homeowners in the St. Louis suburbs 40 miles to the east.

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17: **Indispensable to** progressive dealership management is a carefully thought-out blueprint to guide decisions that affect the future.

23: **Tillage equipment** specialists say viewpoints about fall tillage and about conventional, reduced and no-till approaches are constantly changing.

26: **Dealers are moving** out a lot of used inventory as farmers remain reluctant to buy new equipment.

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What Matters Most to Sales People?

Florida-Georgia dealership study indicates that dollars aren't everything and that dealers may not always be in touch on this subject.

By W. David Shoup

AH, SUMMERTIME. You're taking the kids on a nice vacation trip and it's time to stop and eat.

You say to the family, "Where shall we eat?" and the overwhelming response is "McDonald's!" But in the kids' best interests (and maybe because you're sick of hamburgers), you take them to this upscale restaurant which ought to teach them to appreciate something new. So what happens?

Junior cries. Junior throws things. Junior dumps his plate all over the waiter. You try to get Junior to quiet down and five ladies at the next table size you up as a child abuser. What did you do to deserve this?

Simple. You forgot some basic rules.

Rule No. 1: You forgot to find out their needs. Junior is happy when he gets what he needs. He wasn't hungry. He just wanted the toy prize that comes in the Happy Meal.

Rule No. 2: Junior isn't you. His world looks a little different. Did you ask him what *he* wanted?

Rule No. 3: People don't always tell you *immediately* what they think. They will later. Junior waited until he had a big audience before making his point (and some salesmen will wait until the time is ripe to lay some of their feelings on you).

The difficult episode with Junior will soon pass, but when a dealer forgets the same basic rules in developing a sales compensation approach, the problems can last much longer. What happens if you forget that your salesmen have their own sets of needs, that they have different backgrounds and lifestyles? And are you sure that they'll point out the problems they have with your compensation plan at the very start? Or will they spend a lot of otherwise productive time brooding about your "harebrained scheme" before they talk to you about it?

Salesmen surveyed

A recent study among salesmen in agricultural and industrial equipment dealerships in Florida and Georgia sheds some light on how dealership management might improve incentive packages.

Is compensation-planning a problem? While only 40 percent of the managers interviewed thought there was one, nearly 65 percent of the salespeople did.

So you might say, "Big deal! Salesmen always gripe about being underpaid."

Surprise! Only three salespersons among the 70 surveyed griped about the amount of pay in dollars. These people had other things on their minds besides the total dollars in their pay envelopes.

Some managers have really struggled over this matter. One dealer had actually tried eight different sales compensation plans in 10 months. That's one approach — making changes until the right plan comes along. But the pitfalls of this are easy to imagine.

It was found that construction equipment dealers were better in tune with the desires of their sales forces than were agricultural equipment dealers. What do the construction guys do better? We don't know — yet.

What's important?

We found that there are about a dozen basic components of compensation plans that salespeople scrutinize most. And thanks to a sophisticated statistical tool called *conjoint analysis*, the relative importance of each was determined.

Salesmen ranked the *method* of payment as the single most important component of a sales compensation plan. Table I shows the ranking and psychological importance salespeople placed on each component of the compensation plan. The rankings might surprise some managers.

Within each of the compensation plan components, salesmen were offered the choice between several alternatives. These choices are explored in Table II.

For instance, salesmen were given eight choices from which to pick a payment method. The overwhelming choice of how *they* would like to be paid was to be given a salary with a commission based on the gross profit. This method was favored 2-to-1 over having a salary with commission on unit sales, which was second most popular. (Preference value was 100 to 49.7.)

Salesmen appear to consider their office surroundings the second most important component. Surprisingly, they prefer to share an office with other salesmen over having a private office. But they really hate having to share a desk!

(At this point, there may be dealers shaking their heads. "A desk? A good used desk can cost less

---

The author is an associate professor in the Department of Agricultural Engineering at the University of Florida, Gainesville, and president of W.D. Shoup & Associates, technical marketing and management consultants. Shoup comes from an Indiana farm equipment family and before entering the academic life was a district manager in Indiana for J I Case Co.

The study of sales personnel's attitudes toward compensation plan components was conducted in cooperation with the Southern Assn., Orange Park, Fla.

than 100 bucks!" Remember, we told you that they won't tell you everything they don't like about your compensation program.)

Insurance interest

Interest in insurance coverages is definitely on the rise. If it's a matter of choice, insurance wins out over all kinds of trips to Europe, vacation, stock plans, sick leave or special privileges. Table II shows that individual coverage for 80 percent of medical expenses far outweighs HMOs, family coverage or life insurance. But it was amazing, as we took the survey, to note the interest in HMOs. They are relatively new; don't be surprised if in the near future they become a much more sought after compensation plan component.

Vacation was the fourth highest considered component. The salespersons rank a fixed number of paid days over any other methods in the survey by a large margin. The study clearly showed that there really isn't much point, incentive-wise, in offering vacation in a package unless it is paid and a fixed number of days.

It's probably important to note what didn't rate highly in some salespersons' minds. Sick leave and dealer-oriented promotional events seem to be valued low in terms of personal incentive when compared to other items. This could be in part because these items are hard to assign a personal value to. Sick

(More, next page)

When studying the tables...

1. Look at the relative values of the basic components of compensation, Table I.
2. Then, within each component, consider the relative preferences, Table II.

Table I: Relative Importance of Compensation Plan Components

Component	Relative Value
Method of payment	35
Type of office, work area	10
Insurance coverage	10
Vacation	10
Company purchase incentives	8
Training opportunities	8
Providing transportation	4
Special privileges	4
Sick leave	3
Dealer-sponsored, sales-aiding events	2
Dealer pays miscellaneous business expenses	1

Table II: Sales Personnel Consider Plan Components

Component	Preference Values
A. Method of Payment	
1. Straight salary.	19.83
2. Straight commission based on unit sales.	9.20
3. Straight commission based on gross profit.	0.00
4. Straight commission based on cash difference.	15.00
5. Salary with commission on unit sales	49.70
6. Salary with commission on gross profit.	100.00
7. Salary with commission on cash difference.	42.30
8. Salary plus bonus for accomplishing management-set goals.	0.10
B. Work Area	
1. Private office.	33.88
2. Shared office.	47.10
3. Private desk.	19.99
4. Shared desk.	17.00
C. Insurance	
1. Individual 80 percent.	45.30
2. Family 50 percent.	20.35
3. HMO membership.	21.19
4. Life insurance.	31.21
D. Vacation	
1. Paid, fixed number of days.	46.90
2. Unpaid but longer period.	18.60
3. Paid, increases with seniority.	22.95
E. Opportunity to Earn	
1. Stock in dealership	42.50
2. Profit share.	19.10
3. Pension fund.	39.29
4. Contributor savings plan.	17.20
F. Training Opportunity	
1. Pay for tuition and expenses, no salary during schooling.	40.60
2. Pay for tuition and expenses, paid salary for time at school.	32.40
3. None.	15.50
G. Transportation	
1. Dealer supplies vehicle.	35.66
2. Dealer pays expenses on salesman-owned vehicle.	23.34
H. Privileges	
1. Use of company equipment.	36.52
2. Use of used equipment on lot.	30.69
3. Purchase dealer products at discount.	22.16
4. None.	28.62
I. Sick Leave	
1. Fixed number of paid days per year.	34.35
2. Flexible number of days based on need.	24.65
J. Dealer sponsors field days, demonstrations, booths at fairs, expos, home shows, etc.	
1. Yes.	33.72
2. No.	25.28
K. Dealer pays cost of salesmen-designed and/or developed:	
1. Flyers.	31.15
2. Print ads.	32.62
3. Radio spots.	24.73
L. Dealer pays miscellaneous business expenses (postage, phone, bridge tolls, etc.)	
1. Yes.	31.17
2. No.	27.83

What matters *(from previous page)*

leave plans are difficult to develop if based on an unknown income.

People changes

In the past decade, there have been many changes in the characteristics of the sales force out there. Here are just a few parting points to consider when you next work up a compensation plan for the sales staff.

1. **Salespeople** are more highly educated today. In 1965, their average education level was grade 12. Today, it is averaging just over three years of college.

2. **They are younger** as a whole today, and there is a higher percentage of single people.

3. **Their desires have changed** and so have their backgrounds. In 1965, the ag equipment salesman was typically from a farm. Today, they are both men and women, and only 35 percent of them have a farm background.

4. **They're yuppies.** They don't just want a house, a car and a place in the woods. They want VCRs, stereos, compact disk players, food processors and a Merrill Lynch account. (Even the kids who grew up milking cows want this. It's because they were educated and TV-conditioned right along with the banker's kid and the baker's kid.)

5. **Despite the decline** in agricultural backgrounds, technological backgrounds and communication skills are actually higher. Take advantage of it.

And remember as you plan the next compensation plan: Communication is two-way. Talk all you want, but don't forget to listen. □

Briefly...

Kenneth Austin has been succeeded as president and chief executive officer of the Minnesota-South Dakota Farm Equipment Assn. by **William L. Ryden,** effective July 1. Austin was with the association for 38 years. Ryden joined the association in 1977.

Page L. Bellinger, Deere & Co.'s manager of corporate engineering standards, has been elected a fellow of the American Society of Agricultural Engineers. The honor is given by ASAE to members for "unusual professional distinction and extraordinary qualifications."

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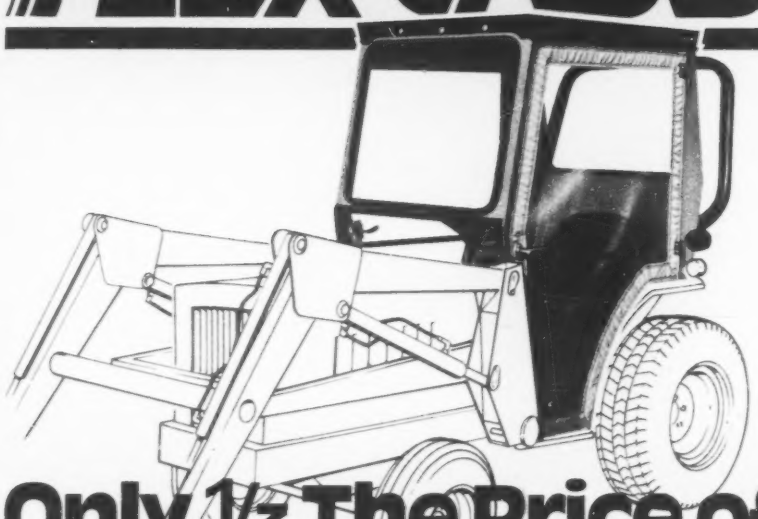

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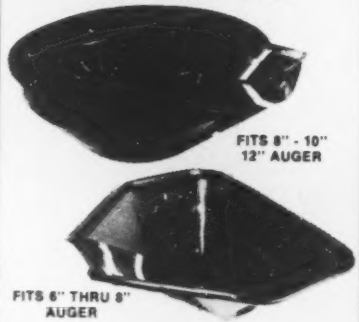

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INDUSTRY UPDATE

Hay Tool Volumes Shine

Tractor sales volume in the first half of 1987 was down 12 percent on the slow pace of 1986, according to the June flash report of the Farm & Industrial Equipment Institute. But sales of balers (bales under 200 lbs.), forage harvesters and mower-conditioners were up notably.

Unit Retail Sales

	June			January-June		
Equipment	1987	1986	Pct. Change	1987	1986	Pct. Change
Farm Wheel Tractors:						
2-Wheel Drive						
Under 40 HP	8,359	8,875	(5.8)	33,946	35,599	(4.6)
40 & Under 100 HP	3,768	4,014	(6.1)	15,165	16,202	(6.4)
100 & Under 140 HP	323	944	(65.8)	1,643	3,240	(49.3)
140 HP & Over	547	1,515	(63.9)	2,991	6,045	(50.5)
Total 2-Wheel Drive	12,997	15,348	(15.3)	53,745	61,086	(12.0)
4-Wheel Drive						
Under 200 HP	54	41	31.7	273	285	(4.2)
200 HP & Over	76	137	(44.5)	421	664	(36.6)
Total 4-Wheel Drive	130	178	(27.0)	694	949	(26.9)
Total Farm Wheel Tractors	13,127	15,526	(15.5)	54,439	62,035	(12.2)
Combines (Self-Propelled)	391	464	(15.7)	997	1,765	(43.5)
Balers (Bales under 200 lbs)	1,400	1,198	16.9	2,725	2,604	4.6
Forage Harvesters (Shear Bar Type)	390	283	37.8	886	642	38.0
Mower Conditioners	3,289	2,724	20.7	6,484	5,500	17.9

Canadians Optimistic Despite Sales Decline

Despite a downward trend in 1987 tractor sales through May, manufacturers are anticipating a modest increase in total unit sales for 1987 over 1986 — 18,931 compared with 18,749 — according to the Canadian Farm & Industrial Equipment Institute.

Through May, unit sales of farm tractors were down 11.6 percent from 7,087 to 6,262. Sales of two-wheel-drive models under 100 horsepower were up over 5 percent to 5,153 units.

Imports Outpaced Exports

Farm equipment imports in the first three months of 1987 were even with the import level of the same 1986 period, $448.8 million, according to the U.S. Commerce Department Office of Capital Goods and International Construction. Exports, meanwhile, declined over 15 percent to $343.8 million.

In 1986, imports exceeded exports for the first time, leaving the U.S. farm equipment industry with an unfavorable trade balance of $164 million.

Main reason for the decline through the 1980s from a favorable balance of almost $1.4 billion in 1981 has been the shifting of substantial amounts of production by major American manufacturers to their subsidiaries in Western Europe.

Principal sources of imports: Japan, up 1 percent to $132 million; Canada, up 43 percent to $109 million; West Germany, down 31 percent to $54 million; Britain, down 13 percent to $54 million; Italy, down 4 percent to $29 million; France, down 20 percent to $19 million.

Tractor imports, excluding a grouping dominated by garden tractors, came to 31,784 units valued at $185 million.

INVENTORY WATCH

WHAT'S HAPPENING TO STOCKPILES IN RELATION TO SALES.

	Inventory Levels							12-Month Sales,
Equipment	April 30, 1986	Nov. 30, 1986	Dec. 31, 1986	Jan. 31, 1987	Feb. 28, 1987	Mar. 31 1987	April 30, 1987	May 1, 1986 April 30, 1987
Tractors								
Under 40 hp	55,947	59,141	61,842	65,955	68,768	70,311	70,672	60,258
40-99 hp	27,457	23,560	23,520	22,623	22,830	22,949	22,706	30,003
100 hp and over	19,510	14,228	13,805	12,549	12,500	12,561	12,203	11,979
Four-wheel drive	2,537	1,956	1,660	1,541	1,530	1,592	1,494	1,855
Total Tractors	**105,451**	**103,684**	**101,427**	**102,668**	**105,628**	**107,413**	**107,075**	**104,095**
S-P Combines	7,054	4,094	4,271	4,268	4,678	4,994	5,186	6,994

Source: Farm & Industrial Equipment Institute